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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on the 28th February, 1973:—

BILL No. 5 OF 1973

A Bill to give effect to the financial proposals of the Central Government for the financial year 1973-74.

BE it enacted by Parliament in the Twenty-fourth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (*1*) This Act may be called the Finance Act, 1973. Short title and commencement.

(*2*) Save as otherwise provided in this Act, sections 2 to 23 shall be deemed to have come into force on the 1st day of April, 1973.

CHAPTER II

RATES OF INCOME-TAX

2. (*1*) Subject to the provisions of sub-sections (*2*) and (*3*), for the assessment year commencing on the 1st day of April, 1973, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,— Income-tax.

(*a*) in the cases to which Paragraphs A, B and D of that Part apply, by a surcharge for purposes of the Union;

(*b*) in the cases to which Paragraph C of that Part applies, by a surcharge for purposes of the Union and a special surcharge for purposes of the Union; and

(c) in the cases to which Paragraphs E and F of that Part apply, by a surcharge,

calculated in each case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1973, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated— 31 of 1956.

(i) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business; and

(ii) on the remaining part of its total income, at the rate applicable to the company on its total income.

(3) In cases to which Chapter XII or section 164 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be. 43 of 1961.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent., "advance tax" shall be computed at that rate.

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, in addition to total income, and the total income exceeds five thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act

or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates, in force,—

(*a*) the net agricultural income shall be taken into account in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first five thousand rupees of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(*b*) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follow:—

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(*ii*) the net agricultural income shall be increased by a sum of five thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income;

(*iii*) the amount by which income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (*i*) exceeds the amount of income-tax or "advance tax" determined in accordance with sub-clause (*ii*) shall be the income-tax or "advance tax" in respect of the total income.

(7) For the purposes of this section and the First Schedule,—

(*a*) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(*b*) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1973, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of the Act;

(*c*) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or

distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

(*d*) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(*e*) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(*f*) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(*g*) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

DIRECT TAXES

Income-tax

Amendment of section 2.

3. In section 2 of the Income-tax Act,—

(*a*) in clause (*37A*), in sub-clause (*ii*), after the figures and letter "194B", the figures and letter, "194D" shall be inserted;

(*b*) in clause (*42A*), for the portion beginning with the words '"short-term capital asset" means a capital asset' and ending with the words "notwithstanding that such capital asset has been held by the assessee for not more than twenty-four months immediately preceding the date of its transfer.", the following shall be substituted with effect from the 1st day of April, 1974, namely:—

'"short-term capital asset" means a capital asset held by an assessee for not more than sixty months immediately preceding the date of its transfer.'.

Amendment of section 28.

4. In section 28 of the Income-tax Act, in clause (*ii*), after sub-clause (*c*), the following sub-clause shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April, 1972, namely:—

"(*d*) any person, for or in connection with the vesting in the Government, or in any corporation owned or controleld by the Government, under any law for the time being in force, of the management of any property or business;".

Amendment of section 35B.

5. In section 35B of the Income-tax Act, in sub-section (*1*),—

(*a*) the *Explanation* shall be numbered, and shall be deemed to have been numbered, as *Explanation 1*, with effect from the 1st day of April, 1968; and

(*b*) after *Explanation 1* as so numbered, the following *Explanation* shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April, 1968, namely:—

"*Explanation 2.*—For the purposes of sub-clause (*iii*) and sub-clause (*viii*) of clause (*b*), expenditure incurred by an assessee engaged in the business of—

(*i*) operation of any ship or other vessel, aircraft or vehicle, or

(*ii*) carriage of, or making arrangements for carriage of, passengers, livestock, mail or goods,

on or in relation to such operation or carriage or arrangements for carriage (including in each case expenditure incurred on the provision of any benefit, amenity or facility to the crew, passengers or livestock) shall not be regarded as expenditure incurred by the assessee on the supply outside India of services or facilities".

Amendment of section 45.

16 of 1972.

6. In section 45 of the Income-tax Act (as amended by section 8 of the Finance Act, 1972), for the words, figures and letters "sections 53, 54, 54B and 54C", the words, figures and letters "sections 53, 54, 54B, 54C and 54D" shall be substituted with effect from the 1st day of April, 1974.

Insertion of new section 54D

16 of 1972.

7. After section 54C (inserted by section 9 of the Finance Act, 1972) of the Income-tax the following section shall be inserted with effect from the 1st day of April, 1974, namely:—

Capital gain on compulsory acquisition of lands and buildings not to be charged in certain cases.

"54D. Where the capital gain arises from the transfer by way of compulsory acquisition under any law of a cpaital asset, being land or building or any right in land or building, forming part of an industrial undertaking belonging to the assessee which, in the two years immediately preceding the date on which the transfer took place, was being used by the assessee for the purposes of the business of the said undertaking, and the assessee has within a period of three years after that date purchased any other land or building or any right in any other land or building or constructed any other building for the purposes of shifting or re-establishing the said undertaking or setting up another industrial undertaking, then, instead of the capital gain being charged to income-tax as the income of the previous year in which the transfer took place, it shall be dealt with in accordance with the following provisions of this section, that is to say,—

(*i*) if the amount of the capital gain is greater than the cost of the land, building or right so purchased or the building so constructed (such land, building or right being hereafter in this section referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year;

and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be *nil;* or

(*ii*) if the amount of the capital gain is equal to or less than the cost of the new asset, the capital gain shall not be charged under section 45 and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be reduced by the amount of the capital gain.".

Amendment of section 80C.

8 In section 80C of the Income-tax Act, with effect from the 1st day of April, 1974,—

(*a*) for sub-section (1), the following sub-section shall be substituted, namely:—

"(*1*) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, an amount calculated, with reference to the aggregate of the sums specified in sub-section (2), at the following rates, namely:—

(*a*) where such aggregate does not exceed Rs. 2,000	The whol of such aggregate ;
(*b*) where such aggregate exceeds Rs. 2,000 but does not exceed Rs. 5,000	Rs. 2,000 *plus* 50 per cent. of the amount by which such aggregate exceeds Rs. 2,000 ;
(*c*) where such aggregate exceeds Rs. 5,000	Rs. 3,500 *plus* 40 per cent. of the amount by which such aggregate exceeds Rs. 5,000," ;

(*b*) in sub-section (2),—

(*i*) for sub-clause (*ii*) of clause (*a*), the following sub-clause shall be substituted, namely:—

"(*ii*) to effect or to keep in force a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband or any child of the assessee:

Provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity;";

(*ii*) in sub-clause (*g*), for sub-item (*2*) of item (*i*), the following sub-item shall be substituted, namely:—

"(*2*) to effect or to keep in force a contract for a deferred annuity on the life of any member of such association or body or any child of any of the members of such association or body:

Provided that such contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity; or".

Amendment of section 80G.

9. In section 80G of the Income-tax Act, with effect from the 1st day of April, 1974,—

(*a*) in sub-section (5),—

(*i*) in clause (*i*), after the words, brackets, figures and letter "or clause (*22A*)", the words, brackets and figures "or clause (*23*)" shall be inserted;

(*ii*) in clause (*v*), after the words "or affiliated to any University established by law", the following words, brackets and figures shall be inserted, namely:—

", or is an institution approved by the Central Government for the purposes of clause (*23*) of section 10,";

(*b*) after *Explanation* 3 below sub-section (5), the following *Explanation* shall be inserted, namely:—

"*Explanation 4.*—For the purposes of this section, an association approved by the Central Government for the purposes of clause (*23*) of section 10 shall be deemed to be an institution, and, every association or institution approved by the Central Government for the purposes of the said clause shall be deemed to be an institution established in India for a charitable purpose.".

Amendment of section 80J.

10. In section 80J of the Income-tax Act, Clause (c) of sub-section (6) shall be omitted with effect from the 1st day of April, 1974.

Amendment of section 80 S.

11. In section 80S of the Income-tax Act, for the words, brackets and figures "provisions of clause (*ii*) of section 28' " the words, brackets, letters and figures "provisions of sub-clause (*a*) or sub-clause (*b*) or sub-clause (*c*) of clause (*ii*) of section 28." shall be substituted, and shall be deemed to have been substituted, with effect from the 1st day of April, 1972.

Amendment of section 105.

12. In section 104 of the Income-tax Act, with effect from the 1st day of April, 1974,—

(*a*) in sub-section (1), after the words "the amount of dividends actually distributed, if any", the words, "within the said period of twelve months" shall be inserted;

(*b*) in sub-section (2), in clauses (*i*) and (*ii*), after the words "the payment of dividend or a larger dividend than that declared", the words, brackets and figure "within the period of twelve months referred to in sub-section (1)" shall be inserted.

Amendment of section 105.

13. In section 105 of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1974,—

(*b*) in sub-section (2), in clauses (*i*) and (*ii*), after the words brackets and figures ", within the period of twelve months referred to in sub-section (1) of section 104", shall be inserted;

(*b*) in clause (*ii*), after the words "whose distribution", the words, brackets and figures ", within the period of twelve months referred to in sub-section (1) of section 104," shall be inserted;

(*c*) in clause (*iii*), after the words "has distributed", the words, brackets and figures, ",within the period of twelve months referred to in sub-section (1) of section 104," shall be inserted;

(*d*) the following *Explanation* shall be inserted at the end, namely:—

'*Explanation.*—For the purposes of clause (*iv*) of this sub-section, "the sum distributed as dividends" means,—

(*a*) where in relation to the assessment made under section 143 or section 144, any further distribution of dividends was made by the company in pursuance of a notice under this sub-section, the aggregate of the following sums, namely:—

(*i*) the sum distributed as dividends within the period of twelve months referred to in sub-section (1) of section 104, and

(*ii*) the sum distributed as dividends within the period of three months from the receipt of the said notice;

(*b*) where an order under section 107A has been made by the Board in relation to the assessment made under section 143 or section 144, the sum distributed as dividends within the period determined by the Board under the provisions of sub-section (4) of section 107A;

(*c*) in any other case, the sum distributed as dividends within the period of twelve months referred to in sub-section (1) of section 104.'.

Amendment of section 112A.

14. In section 112A of the Income-tax Act, in clause (*b*), for the words, brackets and figures "clause (*ii*) of section 28", the words, brackets, letters and figures "sub-clause (*a*) or sub-clause (*b*) or sub-clause (*c*) of clause (*ii*) of section 28" shall be substituted, and shall be deemed to have been substituted, with effect from the 1st day of April, 1972.

Amendment of section 155.

15. In section 155 of the Income-tax Act,—

(*a*) after sub-section (8), the following sub-section shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April, 1970, namely:—

"(9) Where in the assessment for any year, a capital gain arising from the transfer of any such capital asset as is referred to in section 54B is charged to tax and within a period of two years after the date of the transfer the assessee purchases any other land for being used for agricultural purposes, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under the provisions of section 54B and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the date of the assessment.";

(*b*) after sub-section (*9*) as so inserted, the following sub-section shall be inserted, with effect from the 1st day of April, 1974, namely:—

"(*10*) Where in the assessment for any year, a capital gain arising from the transfer by way of compulsory acquisition of any such capital asset as is referred to in section 54D is charged to tax and within a period of three years after the date of the transfer, the assessee purchases any other land or building or any rights in any other land or building or constructs any other building for the purposes of shifting or re-establishing the industrial undertaking referred to in that section or setting up another industrial undertaking, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under the provisions of section 54D, and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the date of the assessment.".

Amendment of section 194C.

16. In section 194C of the Income-tax Act,—

(*a*) in sub-section (*1*),—

(*i*) in clause (*d*), for the word "company,", the words "company; or" shall be substituted

(*ii*) after clause (*d*), the following clause shall be inserted, namely:—

"(*e*) any co-operative society,";

(*b*) in sub-section (*3*),—

(*i*) in clause (*ii*), for the word and figures "June, 1972.", the words and figures "June, 1972; or" shall be substituted

(*ii*) after clause (*ii*), the following clause shall be inserted, namely:—

"(*iii*) any sum credited or paid before the 1st day of June, 1973, in pursuance of a contract between the contractor and a co-operative society or in pursuance of a contract between such contractor and the sub-contractor in relation to any work (including supply of labour for carrying out any work) undertaken by the contractor for the co-operative society.".

Insertion of new section 194D.

17. After section 194C of the Income-tax Act, the following section shall be inserted, namely:—

Insurance commission.

"194D. Any person responsible for paying to a resident any income by way of remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance) shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force:

Provided that no deduction shall be made under this section from any such income credited or paid before the 1st day of June, 1973.".

Amendment of section 197.

18. In section 197 of the Income-tax Act, in clause (*a*) of sub-section (*1*), after the figures and letter "194B", the figures and letter ", 194D" shall be inserted.

Amendment of sections 198, 199, 200, 202. 203. 204 205. 209 and 215.

19. In sections 198, 199, 202, 203, 204 and 205, in sub-clause (*iii*) of clause (*a*) of section 209, and in sub-section (5) of section 215, of the Income-tax Act, after the word, figures and letter "section 194C", the word, figures and letter ", section 194D" shall be inserted.

Wealth-tax

Amendment of Act 27 of 1957.

20. In the Schedule to the Wealth-tax Act, 1957, in Paragraph A of Part I, with effect from the 1st day of April, 1974,—

(*a*) in item (*1*), for the words "In the case of every individual or Hindu undivided family—", the words, brackets, figure and letter "In the case of every individual or Hindu undivided family, not being a Hindu undivided family to which item (1A) of this Paragraph applies—" shall be substituted;

(*b*) after item (1), the following item shall be inserted, namely:—

"(1A) In the case of every Hindu undivided family which has at least one member whose net wealth assessable for the assessment year exceeds Rs. 1,00,000—

	Rate of tax
(*a*) where the net wealth does not exceed Rs. 5,00,000	2 per cent. of the net wealth ;
(*b*) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	Rs. 10,000 *plus* 3 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000 ;
(*c*) where the net wealth exceeds Rs. 10,00,000	Rs. 25,000 *plus* 8 per cent. of the amount by which the net wealth exceed Rs. 10,00,000 ;

Provided that for the purposes of this item,—

(*i*) no wealth-tax shall be payable where the net wealth dose not exceed Rs. 2,00,000

(*ii*) the wealth-tax payable shall, in no case, exceed 10 per cent. of the amount by which the net wealth exceeds Rs. 2,00,000.".

Gift-tax

Amendment of Act 18 of 1958.

21. In section 5 of the Gift-tax Act, 1958, in clause (*v*) of sub-section (*1*), after the words "fund established", the words "or deemed to be established" shall be inserted with effect from the 1st day of April, 1974.

Surtax

Amendment of Act 7 of 1964.

22. In the Companies (Profits) Surtax Act, 1964, with effect from the 1st day of April, 1974—

(*a*) in the First Schedule, in clause (i) of rule 3, for the words "its debentures", the words, brackets and figures "the debentures referred to in clause (iv)," shall be substituted

(*b*) in the Second Schedule,—

(*i*) in rule 1, for clause (iv), the following clause shall be substituted, namely:—

"(iv) the debentures, if any, issued by it to the public:

Provided that according to the terms and conditions of issue of such debentures, they are not redeemable before the expiry of a period of seven years from the date of issue thereof; and"

(*ii*) in rule 3, for the words, brackets and figures "issue of debentures or borrowing of any moneys referred to in clause (v) of rule 1 or is reduced by any amount on account of reduction of paid-up share capital or redemption of any debentures", the words, brackets and figures "issue of the debentures referred to in clause (iv), or borrowing of any moneys referred to in clause (v), of rule 1 or is reduced by any amount on account of reduction of paid-up share capital or redemption of such debentures" shall be substituted.

MISCELLANEOUS

Credit Guarantee Corporation of India Limited to be exempt for a certain period from liability to pay income-tax and surtax.

7 of 1964

1 of 1956

23. Notwithstanding anything contained in the Income-tax Act or the Companies (Profits) Surtax Act, 1964, the Credit Guarantee Corporation of India Limited (a company formed and registered under the Companies Act, 1956) shall not be liable to pay any tax, under either of the two Acts first mentioned, on its income, profits or gains for the previous year relevant to the assessment year commencing on the 1st day of April, 1972 and for the four previous years next following that previous year.

CHAPTER IV

INDIRECT TAXES

Amendment of Act 32 of 1934.

24. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act) shall be amended in the manner specified in the Second Schedule.

Auxiliary duties of customs.

25. (*1*) In the case of goods mentioned in the First Schedule to the Tariff Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to twenty per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962.

52 of 1962

(*2*) Sub-section (*1*) shall cease to have effect after the 31st day of March, 1974, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had been repealed by a Central Act.

10 of 1897

(3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, 1962, or any other law for the time being in force. 52 of 1962

(4) The provisions of the Customs Act, 1962, and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they applying in relation to the levy and collection of the duties of customs on such goods under that Act or those and regulations, as the case may be. 5. of 1962

Amendment of Act 1 of 1949.

26. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1973", the figures "1974" shall be substituted.

Amendment of Act 1 of 1944.

27. The Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act) shall be amended in the manner specified in the Third Schedule.

Auxiliary duties of excise.

28. (1) In the case of goods mentioned in the First Schedule to the Central Excises Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of excise an amount equal to twenty per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1974, except as respects things done or omitted to be done before such cesser and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had been repealed by a Central Act. 10 of 1897

(3) The auxiliary duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force.

(4) The auxiliary duties of excise referred to in sub-section (1) shall be levied for the purposes of the Union and the proceeds thereof shall not be distributed among the States.

(5) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

Amendment of Act 58 of 1957.

29. The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act) shall be amended in the manner specified in the Fourth Schedule.

Discontinuance of salt duty.

30. For the beginning on the 1st day of April, 1973, no duty under the Central Excises Act or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 24, 25, 26, 27, 28 and 29 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

THE FIRST SCHEDULE

(*See* section 2)

PART I

INCOME-TAX AND SURCHARGES ON INCOME-TAX

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridicial person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	Nil ;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	10 per cent. of the amount by which the total income exceeds Rs. 5,000;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 500 *plus* 17 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,350 *plus* 23 per cent. of the amount by which the total income exceeds Rs. 15,000;
(5) where the total income exceeds Rs. 20,000 but doe not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 11,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 40,000;
(9) where the total income exceeds Rs. 60.,000 but does not exceed Rs. 80,000	Rs. 23,000 *plus* 70 per cent of the amount by which the total income exceeds Rs. 60,000;
(10) where the total income exceeds Rs. 80, 000 but does not exceed Rs. 1,00,000	Rs. 37,000 *plus* 75 per cent of the amount by which the total income exceeds Rs. 80,000;
(11) Where the total income exceed Rs. 1,00,000 but does not exceed Rs. 2,00,000	Rs. 52,000 *plus* 80 per cent of he amount by which the Total income exceeds Rs. 1,00,000;
(12) where the total income exceeds Rs. 2,00,000	Rs. 1,32,000 *plus* 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000:

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year satisfies either of the following two conditions, namely:—

(*a*) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or

(*b*) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally discended from any other living member of the family,—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 7,000;

(*ii*) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the following rates, namely:—

(*a*) in a case where the total income does not exceed Rs. 15,000	10 per cent;
(*b*) in any other case	15 per cent;

Provided that the amount of surcharge payable shall, in no case, exceed the aggregate of the following sums, namely:—

(*i*) an amount calculated at the rate of 10 per cent. on the amount of income-tax on an income of Rs. 15,000, if such income had been the total income (the income of Rs. 15,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the person concerned); and

(*ii*) 40 per cent. of the amount by which the total income exceeds Rs. 15,000.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	Nil ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000.	4 per cent. of the amount by which the total income exceeds Rs. 10,000.
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 *plus* 6 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,100 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,100 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

(*b*) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and

(*c*) a special surcharge calculated at the rate of fifteen per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of income-tax computed at the rate hereinbefore specified and

(*ii*) the amount of the surcharge calculated in accordance with clause (*a*) or, as the case may be, clause (*b*).

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income	50 percent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

(*i*) on that part of its total income which consists of profits and gains from life insurance business	52·5 per cent;
(*ii*) on the balance, if any, of the total income	the rate of income-tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,—

Rates of income-tax

I. In the case of a domestic company—

(1) where the company is a company in which the public are substantially interested,—	
(*i*) In a case where the total income does not exceed Rs. 50,000.	45 per cent. of the total income ;
(*ii*) in a case where the total income exceeds Rs. 50,000	55 per cent. of the total income;
(2) where the company is not a company in which the public substantially interested,—	
(*i*) in the case of an industrial company—	
(*a*) on so much of the total income as does not exceed Rs. 10,00,000	55 per cent.;

(*b*) on the balance, if any, of the total income — 60 per cent;

(*ii*) in any other case — 65 per cent. of the total income :

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 50,000.

II. In the case of a company other than a domestic company—

(*i*) on so much of the total income as consists of—

(*a*) royalties received from an Indian concern in persuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or

(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964.

and where such agreement has, in either case, been approved by the Central Government — 50 per cent ;

(*ii*) on the balance, if any, of the total income — 70 per cent

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates:—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company —		
(*a*) where the person is resident—		
(i) on income by way of interest other than "Interest on securities"	10 per cent.	Nil ;

	Income-tax	
	Rate of income-tax	Rate of surcharge
(ii) on income by way of winnings from lotteries and crossword puzzles	30 per cent.	4·5 per cent.;
(iii) on income by way of insurance commission	10 per cent.	Nil;
(iv) on any other income (excluding interest payable on a tax-free security)	20 per cent.	3 per cent. ;
(b) where the person is not resident in India—		
(i) on the whole income (excluding interest payable on a tax-free security)	income-tax at 30 per cent. and surcharge at 4.5 per cent. of the amount of the income. *or* income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher ;	
(ii) on income by way of interest payable on a tax-free security	15 per cent.	2.25 per cent.
2. In the case of a company—		
(a) where the company is a domestic company —		
(i) on income by way of interest other than "Interest on securities"	20 per cent.	1 per cent.;
(ii) on any other income (excluding interest payable on a tax-free security)	22 per cent.	1 per cent.;
(b) where the company is not a domestic company—		
(i) on income by way of dividends payable by any domestic company	24.5 per cent.	1.225 per cents.;
(ii) on income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 and which has been approved by the Central Government	50 per cent.	2.5 per cent.;

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*iii*) on income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by the Central Government	50 per cent.	2.5 per cent.;
(*iv*) on income by way of interest payable on a tax free security	44 per cent.	2.2 per cent.
(*v*) on any other income	70 per cent.	3.5 per cent.

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent.) shall be so calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph 11 of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	Nil;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	10 per cent of the amount by which the total income exceeds Rs. 500;

(3) where the total income exceeds Rs.10,000 but does not exceed Rs. 15,000.	Rs. 5,00 *plus* 17 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,350 *plus* 23 per cent of the amount by which the total income exceeds Rs. 15,000;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. the amount by which the total income exceed Rs. 20,000;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000.	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 11,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 40,000;
(9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000	Rs. 23,000 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 60,000
(10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000	Rs. 37,000 *plus* 75 per cent of the amount by which the total income exceeds Rs. 80,000 ;
(11) where the total income exceeds R.s 1,00,000 but does not exceed Rs. 2,00,000	Rs. 52,000 *plus* 80 per cent. of the amount by which the total income exceeds Rs. 1,00,000 ;
(12) where the total income exceeds Rs. 2,00,000	Rs. 1,32,000 *plus* 85 per cent of the amount by which the total income exceeds Rs. 2,00,000

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the following rates, namely:—

(*a*) in a case where the total income does not exceed Rs. 15,000	10 per cent. ;
(*b*) in any other case	15 per cent.;

Provided that the amount of surcharge payable shall, in no case, exceed the aggregate of the following sums, namely:—

(*i*) an amount calculated at the rate of 10 per cent, on the amount of income-tax on an income of Rs. 15,000, if such income had been the total income (the income of Rs. 15,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the person concerned); and

(*ii*) 40 per cent. of the amount by which the total income exceeds Rs. 15,000.

Sub-Paragraph II

In the case of every Hindu undivided family which has at least one member whose total income of the previous year reelvant to the assessment year commencing on the 1st day of April, 1974 exceeds Rs. 5,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000s	*Nil* ;
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	17 per cent of the amount by which the total income exceeds Rs. 5,000 ;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 850 *plus* 23 per cent. of the amount by which the total income exceeds Rs. 10,000. ;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 2,000 *plus* 30 per cent of the amount by which the total income exceeds Rs. 15,000 ;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 3,500 *plus* 40 per cent of the amount by which the total income exceeds Rs. 20,000 ;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 5,500 *plus* 50 per cent. of the amount by which rhe total income exceeds Rs. 25,;00 ;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000	Rs. 8,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 30,000;
(8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	Rs. 14,000 *plus* 70 per cent of the amount by which the total income exceeds Rs. 40,000 ;
(9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000	Rs. 28,000 *plus* 75 per cent of the amount by which the total income exceeds Rs. 60,000 ;
(10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000	Rs. 43,000 *plus* 80 per cent. of the amount by which the total tncome exceeds Rs. 80,000 ;
(11) where the total income exceeds Rs. 1,00,000	Rs. 59,000 *plus* 85 per cent of the amount by which the total income exceeds Rs. 1,00,000 ;

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	15 per cent of the to al income ;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(3) where the total income exceeds Rs. 20,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000 ;	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000.	4 per cent. of the amount by which the income exceeds Rs. 10,000 ;
(3) where the total income exceed Rs. 25,000 but does not exeeds Rs. 50,000	Rs. 600 *plus* 6 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs.1,00,000	Rs. 2,100 *plus* 12 per cent. of the amount by which he total income exceeds Rs. 50,000. ;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,100 *plus* 20 per cent of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

(*a*) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;

(*b*) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinafter specified; and

(c) a special surcharge calculated at the rate of fifteen per cent. on the aggregate of the following amounts, namely:—

(*i*) the amount of incom-tax computed at the rate hereinbefore specified; and

(*ii*) the amount of the surcharge calculated in accordance with clause (a) or, as the case may be, clause (*b*).

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income	50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,—

31 of 1956.

Rates of income-tax

(*i*) on that part of its total income which consists of profits and gains from life insurance business	52.5 per cent. ;
(*ii*) on the balance , if any, of the total income.	the rate of income-tax applicable, in accordance with Paragraph F of this Part to the total tncome of a domestic company which is a company in which the public are substantially interested.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,—

31 of 1956.

Rate of income-tax

I. In the case of a domestic company.—

(1) where the company is a company in which the public are substantially interested ,—		
	(*i*) in a case where the total income does not exceed Rs. 1,00,000.	45 per cent. of the total income ;
	(*ii*) in a case where the total income exceeds Rs. 1,00,000.	55 per cent. of the total income ;
'2) where the company is not a company in which the public are substantially interested :—		
	(*i*) in the case of an industrial company—	
	(*a*) on so much of the rotal income as does no exceed Rs. 2,00,000.	55 per cent.
	(*b*) on the balance, if any, of the total income	60 per cent.
	(*ii*) in any other case	65 per cent. of the total income:

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of

Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000.

II. In the case of a company other than a domestic company—

(*i*) on so much of the total income as consists of—	
(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or	
(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent;
(ii) on the balance, if any, of the total income	70 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART IV

[*See* section 2(7)(*e*)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

Rule 1.—Agricultural income of the nature referred to in sub-clause (*a*) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A.

Rule 2.—Agricultural income of the nature referred to in sub-clause (*b*) or sub-clause (*c*) of clause (*1*) of section *2* of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (*c*)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-section (3) and (4) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3.—Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c), shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far a smay be, apply accordingly:

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

Rule 4.—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (*b*) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding five thousand rupees but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding five thousand rupees but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7.—(1) Where the result of the computation for any assessment year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that assessment year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (*b*) of section 185 of the Income-tax Act or is a member of an association of persons or body of individuals and the share of the assessee in the agricultural

income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income

(2) Where the net result of the computation made in accordance with sub-rule (1) is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be *nil*.

Rule 8.—The provisions of the Income-tax Act relating to procedure for assessment shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 9.—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

(*See* section 24)

PART I

In the First Schedule to the Tariff Act,—

(i) in Item No. 29, for the entry in the fourth column, the entry "Fifty paise per linear metre." shall be substituted;

(ii) in Item No. 72A, in the proviso to sub-item (i),—

(*a*) the words "in advance of their importation" shall be omitted

(*b*) the words "and such contract or contracts has or have been so registered before any order is made by the proper officer of customs permitting the clearance for home consumption, or deposit in a warehouse of such items, components or raw materials" shall be inserted at the end.

PART II

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony	
1	2	3	4	5	6	7

In the First Schedule to the Tariff Act, for Item No. 63(20A), the following Item shall be substituted, namely :—

"63 (20A)	Stainless steel plates, sheets and strips.	Revenue	200 per cent. *ad valorem*			

THE THIRD SCHEDULE

(*See* section 27)

PART I

In the First Schedule to the Central Excises Act,—

(*i*) in item No. 2,—

(*a*) for the words "Ten per cent. *ad valorem*" in the third column against sub-item (2), the words "Twenty per cent. *ad valorem*" shall be substituted;

(*b*) the *Explanation* shall be numbered as "*Explanation I*" and after the *Explanation*, as so numbered, the following *Explanation* shall be inserted, namely:—

'*Explanation II.*—For the purposes of sub-item (2), "instant coffee" includes instant coffee containing any ingredient in addition to coffee.';

(*ii*) in Item No. 14, the following *Explanation* shall be inserted at the end, namely:—

"*Explanation.*—This item does not include carbon black.";

(*iii*) in Item No. 14B, for the entry in the second column, the following entry shall be substituted, namely:—

"CAUSTIC SODA AND CAUSTIC POTASH, WHETHER IN A SOLID FORM OR IN LYE.";

(*iv*) in Item No. 14C, for the entry in the third column, the entry "Ten per cent. *ad valorem.*" shall be substituted;

(*v*) in Item No. 14F, after sub-item (*ii*), the following sub-item shall be inserted, namely:—

"(*iii*) Shaving creams, whether or not containing soap or detergents.";

(*vi*) in Item No. 16B, for the entry in the third column against sub-item (ii), the entry "Twenty-five per cent. *ad valorem.*" shall be substituted;

(*vii*) in Item No. 18E, for the entries in the second column, the following entry shall be substituted, namely:—

"YARN, ALL SORTS, NOT ELSEWHERE SPECIFIED, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS is ORDINARILY CARRIED ON WITH THE AID OF POWER."

(*viii*) in Item No. 22AA, for the entries in the second column, the following entry shall be substituted, namely:—

"TEXTILE FABRICS, NOT ELSEWHERE SPECIFIED.";

(*ix*) in Item No. 33C, for the entry in the third column, the entry "Twenty-five per cent. *ad valorem.*" shall be substituted;

(*x*) in Item No. 34A, for the entry in the third column, the entry "Twenty per cent. *ad valorem.*" shall be substituted;

PART II

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

In the First Schedule to the Central Excises Act,—

(*i*) in item No. 4, under "II. *Manufactured Tobacco*—", after sub-item (3), the following sub-item shall be inserted, namely:—

	"(4) Smoking mixtures for pipes and cigarettes	Two hundred per cent. *ad valorem.*";

(*ii*) for item No. 15, the following Item shall be substituted, namely:—

15	SOAP—	
	"Soap" means all varieties of the product known commercially as soap.	
	(1) Soap, household and laundry	Ten per cent. *ad valorem*;
	(2) Other sorts	Twenty per cent. *ad valorem.*";

(*iii*) in item No. 19, after sub-tem 1(1), the following shall be inserted, namely:—

	"(1A) Cotton fabrics other than those falling under (1), containing 30 per or more by weight, of fibre, or yarn or both, of non-cellulosic origin.	Fifteen per cent. *ad valorem*";

(*iv*) the following Items shall be inserted at the end, namely:—

'62	Tool Tips, in any form or size, unmounted, of Sintered Carbides of Metals such as Tungsten Molybdenum and Vanadium.	Twenty per cent. *ad valorem,*
63	WIRE ROPES—	Ten per cent. *ad valorem.*
	"Wire ropes" means ropes having a number of wire strands of iron or steel helically laid about an axis, but does not include electric cables.	
	Carbon Black (Including Lamp Black and Acetylene Black).	Ten per cent. *ad valorem.*
5	Rubber Processing Chemicals, the following namely:—	Ten per cent. *ad valorem*'.
	(1) Accelerators	
	(2) Antioxidants	

THE FOURTH SCHEDULE

(*See* section 29)

Item No. in the First Schedule to the Central Excises and Salt Act, 1944	Description of goods	Rate of additional duty
(1)	(2)	(3)

In the First Schedule to the Additional Duties of Excise Act,—

(*i*) in Item No. 4, under "II. *Manufactured tobacco*—", after sub-item, (3) the following sub-item shall be inserted, namely:—

"(4)	Smoking mixtures for pipes and cigarettes.	One hundred per cent. *ad valorem*";

(*ii*) in item No. 19, after sub-item 1(1), the following shall be inserted, namely:—

"(1A)	Cotton fabrics other than those falling under (1), containing 30 per cent. or more by weight, of fibre, or yarn, or both, of non-cellulosic origin	Two and a half per cent. *ad valorem.*

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1973-74. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;
The 28th February, 1973.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

(Copy of letter No. F.3(29)-B/73, dated the 28th February, 1973 from Shri Y. B. Chavan, Minister of Finance to the Secretary, Lok Sabha).

The President, having been informed of the subject matter of the proposed Bill, recommends under article 117(1) and (3) read with article 274(1) of the Constitution of India, the introduction of the Finance Bill, 1973 to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 28th February, 1973.

Notes on clauses

Clause 2, read with the First Schedule to the Bill, seeks to prescribe the rates at which income-tax, including surcharges thereon, is to be levied on income chargeable to tax for the assessment year 1973-74. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1973-74 from incomes subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid and tax is to be calculated and charged in special cases for the financial year 1973-74.

Rates of income-tax for the assessment year 1973-74.—The rates of income-tax (including surcharges) in the case of non-corporate taxpayers on incomes liable to tax for the assessment year 1973-74 are the same as those specified in Part III of the First Schedule to the Finance Act, 1972 for purposes of deduction of tax at source from "Salaries" and for computation of "advance tax" payable during the financial year 1972-73. Similarly, in the case of corporate taxpayers, the rates of income-tax (including surcharge) on incomes liable to tax for the assessment year 1973-74 are the same as those laid down in Part III of the First Schedule to the Finance Act, 1972 for purposes of computing "advance tax" payable by companies during the financial year 1972-73.

Rates for deduction of tax at source during financial year 1973-74 from incomes other than "Salaries".—Part II of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge where applicable) is to be deducted at source during the financial year 1973-74 from incomes other than "Salaries" and the retirement annuities under section 80E(9) of the Income-tax Act. These rates are the same as specified in Part II of the First Schedule to the Finance Act, 1972 for deduction of tax at source from such incomes, with one difference. The Finance Act, 1972 did not prescribe any rate for deduction of income-tax at source from income by way of insurance commission, that is to say, any remuneration or reward, whether by way of commission or otherwise, paid for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance). The Bill provides for the deduction of income-tax in respect of such income, in the case of resident recipients other than companies, at the rate of 10 per cent.

Rates for deduction of tax at source from "Salaries" and retirement annuities, computation of "advance tax" and charging of income-tax in special cases during the financial year 1973-74.—Part III of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge) is to be deducted at source from "Salaries" and retirement annuities referred to in section 80E(9) of the Income-tax Act, and also the rates at which "advance tax" is to be paid and income-tax is to be calculated and charged in special cases for the financial year 1973-74. These rates vary in certain respects from the rates specified in the Bill for the assessment of income liable to tax for the assessment year 1973-74

The first important change is that a separate rate schedule will be applicable in the case of Hindu undivided families having one or more members with independent total income exceeding Rs. 6,000. Under this

schedule, the rate of tax applicable to such Hindu undivided families on various slabs of the taxable income will be the same as the rate of tax applicable to the next higher slab in the case of other Hindu undivided families, individuals, unregistered firms or other associations of persons or bodies of individuals and artificial juridical persons and surcharge on income-tax will be levied at the uniform rate of 15 per cent. In the case of other Hindu undivided families, individuals, unregistered firms, or other associations of persons or bodies of individuals and artificial juridical persons, the rate of surcharge will, as at present, be 10 per cent. if the total income does not exceed Rs. 15,000 and 15 per cent. if the total income exceeds that amount. Besides, the higher exemption limit of Rs. 7,000 applicable in the case of certain categories of Hindu undivided families is being replaced by the uniform exemption limit of Rs. 5,000 applicable in the case of other Hindu undivided families, individuals, unregistered firms, associations of persons or bodies of individauls and artificial juridical persons.

Further, a special provision has been made for the calculation of tax in the case of certain non-corporate taxapayers (that is, individuals, Hindu undivided families, unregistered firms or other associations of persons or bodies of individuals and artificial juridical persons) who, in addition to total income exceeding Rs. 5,000, have net agricultural income. Under this provision, the net agricultural income of a taxpayer will be taken into account only for determining the rate of income-tax to be applied to his total income. This will be done in the following manner:—

(i) the agricultural and non-agricultural components of the tax-payer's income will first be aggregated and income-tax calculated on the aggregate as if such aggregate were the total income;

(ii) income-tax will then be calculated on the net agricultural income as increased by an amount of Rs. 5,000 as if such increased net agricultural income were the total income;

(iii) the amount by which the income-tax calculated under (i) exceeds the amount calculated under (ii) will be the income-tax payable by the assessee on the total income.

The effect of this will be that for the purposes of determining the amount of income-tax,—

(a) the first Rs. 5,000 of the non-agricultural income will be appropriated to the lowest slab chargeable to tax at *nill* rate

(b) the agricultural component of the income will be apropriated to the middle slabs but no tax will be payable thereon; and

(c) the balance of the non-agricultural income, which alone will be chargeable to tax, will be appropriated to the top slabs and charged to tax accordingly.

Two changes have been made in the sphere of corporate taxation. In the case of widely-held domestic companies, the concessional rate of 45 per cent. which is at present applicable only in the case of widely-held domestic companies having a total income not exceeding Rs. 50,000 is being made applicable to such companies having a total income not

exceeding Rs. 1 lakh. In the case of closely-held industrial companies, the concessional rate of 55 per cent which is at present applicable to the first Rs. 10 lakhs of the total income is being restricted to the first Rs. 2 lakhs of the total income.

The rate of surcharge on income-tax in the case of all companies will continue at the existing level of 5 per cent.

Part IV of the First Schedule contains rules for computation of net agricultural income.

Rule 1 provides that agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act, i.e., income by way of rent or revenue derived from land which is situated in India and is used for agricultural purposes (such land being hereinafter referred to as agricultural land) will be computed as if such income were chargeable to tax under that Act under the head "Income from other sources".

Rule 2 provides that income of the nature referred to in sub-clause (b) and sub-clause (c) of clause (1) of section 2 of the Income-tax Act (other than income derived from agricultural house property used as a dwelling house by the receiver of rent or revenue from agricultural land or by the cultivator or receiver of rent-in-kind) will be computed as if such income were chargeable to tax under the head "Profits and gains of business or profession". This rule will, therefore, apply to income derived from agricultural land by (i) agriculture, or (ii) the performance by a cultivator or receiver of rent-in-kind of any process ordinarily employed by such person to render the produce raised or received by him fit to be taken to market, or (iii) the sale by such person of the produce raised or received by him in respect of which no process has been performed other than the process of a nature referred to in (ii) above. This rule will also apply to income derived from agricultural house property which is used as a store-house or other out-building. It has been specifically provided that the computation of income under this rule will be made in accordance with sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43 and 43A and the remaining sections in Chapter IV-D relating to computation of income chargeable under the head "Profits and gains of business or profession" will not apply.

Rule 3 provides that income derived from agricultural house property which is used as a dwelling house by the receiver of rent or revenue or by the cultivator or the receiver of rent-in-kind will be computed as if such income were chargeable to tax under that Act under the head "income from house property". It has been specifically provided that where the agricultural house property is occupied by the owner, the annual letting value of such property will be limited to 10 per cent. of the net agricultural income of the owner as computed without including therein any income from such property.

Rule 4 provides that where income is derived by the assessee from sale of tea grown and manufactured by him in India, then, notwithstanding anything contained in the other provisions of these rules, sixty

per cent. of the income computed in accordance with rule 8 of the Income-tax Rules, 1962, will be regarded as the agriculutural income of the assessee.

Rule 5 provides that where the assessee is a partner of a registered firm or an un-registered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm and which has either no income chargeable to tax under the Income-tax Act or has total income not exceeding Rs. 5,000, but has any agricultural income, then, the agricultural income of the firm will be computed in accordance with the provisions of these rules. Further the share of such partner in the agricultural income or loss of the firm will be computed in accordance with the provisions of sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed will be regarded as his agricultural income or loss.

Rule 6 provides that where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which has either no income chargeable to income-tax under the Income-tax Act, or has total income not exceeding Rs. 5,000, but has, in either case, any agricultural income, then, the agricultural income or loss of the association or body will be computed in accordance with the provisions of these rules and the share of the assessee in the agricultural income or loss so computed will be regarded as the agricultural income or loss of the assessee.

Rule 7 provides that where the computation of agricultural income from any source results in a loss, such loss will be set off against the income, if any, of the assessee from any other source of agricultural income. No set off will, however, be allowed in respect of the assessee's share in the agricultural loss of an unregistered firm which has not been assessed as a registered firm under section 183(b) of the Income-tax Act or of an association of persons or body of individuals. If the net result of the computation of the agricultural income from various sources as outlined above is a loss, such loss will be disregarded and the net agricultural income will be taken as *nil*.

Rule 8 provides that for the purposes of computation of net agricultural income, the provisions of the Income-tax Act relating to procedure for assessment will apply, with necessary modifications as they apply in relation to the assessment of total income under that Act.

Rule 9 provides that for the purposes of computation of net agricultural income, the Income-tax Officer will have the same powers as he has under the Income-tax Act for the assesment of total income.

Clause 3 seeks to amend section 2 of the Income-tax Act relating to definitions.

Sub-clause (a) seeks to amend clause (37A) of section 2. The amendment is consequential to the insertion of new section 194D in the Income-tax Act under clause 17 of the Bill. Under this amendment, the rates in force for the purposes of deduction of income-tax at source from

insurance commission will be those specified in this behalf in the relevant Finance Act. This amendment will take effect from 1st April, 1973.

Sub-clause (b) seeks to amend the definition of "short-term capital asset" contained in clause (42A) of section 2. Under the existing provision, a capital asset held by a person for not more than twenty-four months immediately preceding the date of its transfer is treated as a "short-term capital asset". The effect of the proposed amendment will be that a capital asset held by a person for not more than sixty months immediately preceding the date of its transfer will be treated as a "short-term capital asset".

The special provision contained in the existing clause (42A) under which a bank certificate obtained by a person from an authorised dealer in foreign exchange in evidence of remittance of money to India from abroad in accordance with the Foreign Exchange Regulation Act, 1947 or the rules made thereunder during the period from 26th October, 1965 to 28th February, 1966 (or such extended period as many be notified by the Central Government) was not to be regarded as a "short-term capital asset", has been omitted as it has now become otiose.

The amendment under this sub-clause will take effect from 1st April, 1974 and will, accordingly, apply in relation to the assessment year 1974-75 and subsequent years.

Clause 4 seeks to amend section 28 of the Income-tax Act relating to profits and gains of business or profession. The amendment seeks to secure that any compensation or other payment, due to or received by any person for or in connection with the vesting in the Government, or in any corporation owned or controlled by the Government, under any law, of the management of any business or property shall be chargeable to income-tax under the head "Profits and gains of business or profession". This amendment will take effect retrospectively from 1st April, 1972 and will, therefore, apply in relation to compensation or other payment referred to therein due to or received by any person during the financial year 1971-72 or any other accounting year corresponding to the assessment year 1972-73 and subsequent years.

Clause 5 seeks to amend section 35B of the Income-tax Act (relating to export markets development allowance), retrospectively, from 1st April, 1968, i.e., the date from which that section was introduced in the Income-tax Act.

Sub-clause (a) seeks to number the existing Explanation at the end of sub-section (1) of section 35B as Explanation 1. This amendment is consequential to the insertion of a new Explanation 2 by sub-clause (b).

Sub-clause (b) seeks to insert a new Explanation 2 at the end of sub-section (1) of section 35B. The new Explanation seeks to clarify that for the purposes of sub-clause (iii) and sub-clause (viii) of sub-section (1)(b) of section 35B, expenditure incurred by any person engaged in the business of (a) operation of any ship or other vessel, aircraft or vehicle, or (b) carriage of, or making arrangements for carriage of, passengers, livestock, mail or goods, on or in relation to such operation, carriage or

arrangements (including expenditure incurred on the provision of any benefit, amenity or facility to the crew, passengers or livestock) will not be taken into account for the purposes of the weighted deduction allowed under that section.

Clause 6 seeks to amend section 45 of the Income-tax Act relating to capital gains. The amendment is consequential to the insertion of new section 54D in the Income-tax Act under clause 7 of the Bill.

Clause 7 seeks to insert a new section 54D in the Income-tax Act. The new section 54D provides that where any capital gain arises from the transfer by way of compulsory acquisition under any law of a asset, being land or building or any right in land or building, forming part of an industrial undertaking belonging to the assessee, which in the two years immediately preceding the date of transfer was being used by the assessee for the purposes of the business of the said undertaking, and the assessee has, within a period of three years after that date, purchased any other land or building, or any right in any other land or building, or constructed any other building, for the purposes of shifting or re-establishing the said undertaking or setting up another industrial undertaking, then, the capital gain will not be charged to tax to the extent that it has been utilised for acquiring such land, building or right or, as the case may be, constructing such building. Where the amount of the capital gain exceeds the cost of acquisition or construction, only the excess will be chargeable to tax. The concession will, however, be forfeited if the assessee transfers such land or buidling within a period of three years from the date of its purchase or construction. The amendment will take effect from 1st April, 1974 and will, therefore, apply for the assessment year 1974-75 and subsequent years.

Clause 8 seeks to amend section 80C of the Income-tax Act relating to deduction in respect of life insurance premia, contributions to provident fund, etc.

Under the amendment in sub-clause (a), the quantum of deduction from taxable income in respect of long-term savings through life insurance, provident fund, etc., in the case of individuals and Hindu undivided families will be varied so as to allow a deduction of the whole of the first Rs. 2,000 of the qualifying savings *plus* 50 per cent. of the next Re. 3,000 *plus* 40 per cent. of the remainder of the qualifying savings. This amendment will apply also in the case of an association of persons or a body of individuals consisting only of husband and wife governed by the system of "community of property" in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu.

Under the amendments in sub-clause (b), the deduction with reference to any sums paid to effect or to keep in force a contract for a deferred annuity will not be available to an individual or to an association of persons or a body of individuals consisting only of husband and wife governed by the system of "community of property" in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu if such contract contains a provision for the exercise by the insured of an option to receive a cash payment in lieu of the annuity.

These amendments will take effect from 1st April, 1974 and will, accordingly, apply in relation to the assessment year 1974-75 and subsequent years.

Clause 9 seeks to make certain amendments in section 80G of the Income-tax Act relating to deduction in respect of donations to certain funds, charitable institutions, etc. These amendments are intended to secure that donations made to any association or institution established in India for the control, supervision, regulation or encouragement of specified sports and games in India qualify for the tax concession under section 80G in the same manner as donations made to institutions or funds established in India for charitable purposes. The tax concession will, however, be available only in cases where the association or institution to which the donation is made is exempt from income-tax under the provisions of clause (23) of section 10.

These amendments will take effect from 1st April, 1974 and will, therefore, apply in relation to donations made during the financial year 1973-74 or any other accounting year relevant to the assessment year 1974-75 and subsequent years.

Clause 10 seeks to omit clause (c) of sub-section (6) of section 80J of the Income-tax Act. Under the amendment, the requirement as to the number and types of guest rooms and amenities that a hotel should fulfil for qualifying for the tax holiday concession will be dispensed with. This amendment takes effect from 1st April, 1974 and will, therefore, apply for the assessment year 1974-75 and subsequent years.

Clause 11 seeks to amend section 80S of the Income-tax Act relating to deduction in respect of compensation for termination of managing agency, etc., in the case of assessees other than companies. The amendment is consequential to the insertion of new sub-clause (d) in clause (ii) of section 28 under clause 4 of the Bill.

Clause 12 seeks to make certain amendments in section 104 of the Income-tax Act relating to income-tax on undistributed income of certain companies.

The effect of the amendment under sub-clause (a) will be that for the purposes of charging additional tax under section 104 for failure of a closely-held domestic company to distribute the statutory percentage of dividends within the twelve months immediately following the relevant previous year, the dividends distributed by the company after the expiry of the aforesaid period of twelve months will not be taken into account.

Sub-clause (b) seeks to amend clauses (i) and (ii) of sub-section (2). These amendments are consequential to the amendment of sub-section (1) of section 104 under sub-clause (a) of this clause.

These amendments will take effect from 1st April, 1974 and will accordingly apply in relation to the assessment year 1974-75 and subsequent years.

Clause 13 seeks to amend section 105 of the Income-tax Act relating to special provisions for further distribution of dividends in certain cases. These amendments are consequential to the amendment of section 104 of the Income-tax Act under clause 12 of the Bill.

Clause 14 seeks to amend section 112A of the Income-tax Act relating to tax on interest on National Savings Certificates (First Issue). The amendment is consequential to the insertion of a new sub-clause (b) in clause (ii) of section 28 under clause 4 of the Bill.

Clause 15 seeks to insert two new sub-sections (9) and (10) in section 155 of the Income-tax Act relating to amendment of certain orders.

New sub-section (9) seeks to provide that where any capital gain arising from the transfer of land used by the assessee or his parent for agricultural purposes is charged to tax and the assessee has, within a period of two years after the date of the transfer, purchased any other land for being used for agricultural purposes, then, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under the provisions of section 54B of the Income-tax Act. For this purpose, the provisions of section 154 of the Income-tax Act relating to rectification of mistakes shall apply and the period of four years for amendment of orders specified in sub-section (7) of that section shall be reckoned from the date of the assessment. The new sub-section will take effect retrospectively from 1st April, 1970, *i.e.*, the date on which section 54B was inserted in the Income-tax Act.

New sub-section (10) has been inserted in consequence of the insertion of new section 54D in the Income-tax Act under clause 7 of the Bill. The new sub-section seeks to provide that where any capital gain arising from the transfer of any such capital asset as is referred to in new section 54D (*i.e.*, any land or building or any right in land or building, forming part of an industrial undertaking belonging to the assessee and used by him in the two years immediately preceding the date of the transfer for the purposes of the business of the undertaking) is charged to tax and the assessee has, within a period of three years after the date of the transfer, purchased any other land or building (including any right in any other land or building) or constructed any other building for the purposes of shifting or re-establishing the industrial undertaking or setting up another industrial undertaking, then, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under the provisions of section 54D of the Income-tax Act. For this purpose, the provisions of section 154 of the Income-tax Act relating to rectification of mistakes shall apply and the period of four years for amendment of orders specified in sub-section (7) of that section shall be reckoned from the date of the assessment. This amendment will take effect from 1st April, 1974.

Clause 16 seeks to amend section 194C of the Income-tax Act relating to deduction of income-tax at source from payments to contractors and sub-contractors. Under the amendments proposed in sub-clause (a), co-operative societies will be included in the categories of taxpayers who are required to deduct tax at source from payments made by them to contractors. Under the amendments proposed in sub-clause (b), no deduction will, however, be required to be made from any sum credited or paid to a contractor by a co-operative society before 1st June, 1973. Likewise, no deduction will be required to be made by the contractor, from any sum which he may, in turn, credit to the account of or pay to a sub-contractor before 1st June, 1973. The amendments will accordingly apply only in relation to payments made on or after 1st June, 1973.

Clause 17 seeks to insert a new section 194D in the Income-tax Act.

Under new section 194D, any person responsible for paying to a resident any income by way of insurance commission or other remuneration in consideration of his soliciting or procuring insurance businesss (including business relating to the continuance, renewal or revival of policies of insurance) will be required to deduct income-tax from such income at the rates in force (*i.e.*, the rates as may be prescribed in the Finance Act for the relevant year). The deduction will have to be made at the time of the credit of the income to the account of, or the payment thereof (by whatever mode) to, the payee, whichever is earlier. No deduction of tax will be required to be made from any such income credited or paid before 1st June, 1973.

Clause 18 seeks to amend section 197 of the Income-tax Act relating to certificate for deduction of income-tax at source at lower rates. This amendment is consequential to the insertion of new section 194D in the Income-tax Act under clause 17 of the Bill.

Clause 19 seeks to amend sections 198, 199, 200, 202, 203, 204 and 205 of the Income-tax Act relating to provisions in respect of tax deducted at source and sections 209 and 215 of that Act relating to "advance tax". These amendments are consequential to the insertion of new section 194D in the Income-tax Act under clause 17 of the Bill.

Clause 20 seeks to make certain amendments in Part I of the Schedule to the Wealth-tax Act relating to rates of wealth-tax. Under these amendments, the existing rate schedule of ordinary wealth-tax will apply only in the case of individuals and Hindu undivided families not having one or more members with independent net wealth exceeding Rs. 1,00,000, that is, the maximum amount not chargeable to wealth-tax in the case of an individual. The rate schedule of ordinary wealth-tax applicable in the case of Hindu undivided families having one or more members with independent net wealth exceeding Rs. 1,00,000, that is, the maximum amount not chargeable to wealth-tax in the case of an individual, will be as follows:—

On the first Rs. 5,00,000 of net wealth	2 per cent.
On the next Rs. 5,00,000 of net wealth	3 per cent.
On the balancesof the net wealth, i.e., net wealth in excess of Rs. 10,00,000	8 per cent.

However, no wealth-tax will be payable in a case where the net wealth does not exceed Rs. 2,00,000. It is also being provided, by way of marginal relief, that the wealth-tax payable shall not exceed 10 per cent. of the amount by which the net wealth exceeds Rs. 2,00,000.

These amendments will take effect from 1st April, 1974 and will accordingly apply in relation to the assessment year 1974-75 and subsequent years.

Clause 21 seeks to amend clause (v) of sub-section (1) of section 5 of the Gift-tax Act, 1958, relating to exemption in respect of certain gifts. The amendment seeks to secure that gifts made by any person to any association or institution established in India for the control, supervision, regulation or encouragement of specified sports and games in

India and which is exempt from income-tax under the provisions of clause (23) of section 10 of the Income-tax Act are not charged to gift-tax. This amendment will take effect from 1st April, 1974 and will, therefore, apply in relation to gifts made during the financial year 1973-74 or any other accounting year relevant to the assessment year 1974-75 and subsequent years.

Clause 22 seeks to make certain amendments to the First and Second Schedules to the Companies (Profits) Surtax Act, 1964.

Sub-clause (a) seeks to amend clause (i) of rule 3 of the First Schedule to the said Act. This amendment is consequential to the substitution of clause (iv) of rule 1 of the Second Schedule to the said Act by a new clause.

Sub-clause (b) seeks to amend the Second Schedule to the said Act. The first amendment seeks to substitute clause (iv) of rule 1 by a new clause. Under the new clause, debentures issued by a company will be taken into account for computing its "capital" for purposes of surtax, *only* if they are issued to the public and according to the terms and conditions of their issue they are not redeemable before the expiry of a period of 7 years. The second amendment is consequential to the substitution of clause (iv) of rule 1 by a new clause.

These amendments will take effect from 1st April, 1974 and will accordingly apply in relation to the assessment year 1974-75 and subsequent years.

Clause 23 seeks to exempt from tax the income of the Credit Guarantee Corporation of India Limited which is a company formed and registered under the Companies Act, 1956. The exemption will apply for purposes of income-tax and surtax and will cover the income of the Corporation for the five accounting years commencing from its accounting year which is the previous year for the assessment year 1972-73.

Clause 24 read with the Second Schedule, seeks—

(a) to raise the rates of import duty on—

(i) cinematograph films, not exposed;

(ii) stainless steel plates, sheets and strips; and

(b) to amend the proviso to Item 72A of the Import Traffic to provide for registration of contracts for purposes of assessment under that item before the goods are permitted to be cleared for home consumption or to be deposited in a warehouse.

Clause 26 seeks to continue for another year the provisions of the customs on all imported goods at the rate of 20 per cent. of their value.

Clause 26 seeks to continue for another year the provisions of the Indian Tariff (Amendment) Act, 1949, so as to maintain the *status quo* in regard to commitments under the General Agreement on Tariff and Trade.

Clause 27 read with the Third Schedule, seeks—

(a) to raise the rates of basic excise duty on—

(1) instant coffee;

(2) plywood, other than plywood for tea-chests;

(3) domestic electrical appliances; and

(4) parts and accessories of motor vehicles;

(b) to change the tariff description of—

(1) pigments, colours, paints, etc.,

(2) caustic soda, to include caustic potash;

(3) cosmetic and toilet preparations;

(4) soap;

(5) yarn, all sorts, not elsewhere specified; and

(6) textile fabrics, not elsewhere specified;

(c) to change the tariff description and to levy duty on smoking mixtures for pipes and cigarettes;

(d) to change the tariff description and the basis of assessment from square metre to value for certain cotton fabrics;

(e) to change the basis of assessment from weight to value on glycerine; and

(f) to create new items in the Central Excise Tariff for—

(1) tool tips of sintered carbides;

(2) wire ropes;

(3) carbon black; and

(4) specified rubber chemicals.

Clause 28 seeks to levy up to the 31st March, 1974, auxiliary duties of excise on all excisable goods at the rate of 20 per cent. of their value.

Clause 29 read with the Fourth Schedule seeks to amend the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957 relating to (1) manufactured tobacco and (2) cotton fabrics.

Clause 30 like section 68 of the Finance Act, 1972, provides that salt shall be duty free for another year.

FINANCIAL MEMORANDUM

Clause 27 of the Bill seeks to levy new excise duties on certain items, such as, wire ropes, tool tips, smoking mixtures for pipes and cigarettes, caustic potash, etc. Withdrawal of some of the excise concessions, such as, in the case of steel ingots produced with the aid of electric furnaces, art silk fabrics processed with non-power operated machines, low-voltage electric motors, etc., will also bring in more units into the dutiable area.

The new levies and the withdrawals of the concessions will necessitate the employment of additional staff not only in the field formations, but in the Secretariat, the Directorate of Tax Research, the Directorate of Drawback and the Statistics & Intelligence Branch (Central Excise). Following this expansion in the coverage of the Central Excise traiff, it will be necessary—

(1) to strengthen to the needed extent the higher supervision over tariff classification and valuation of goods in the Collectorates of Central Excise by deployment of some additional staff involving an additional expenditure of	Rs. 7·00 lakhs
(2) to keep a close watch on the trends and patterns of production, consumption and price movement of these affected commodities which will necessitate the augmentation of the Statistics & Intelligence Branch involving an additional expenditure of .	Rs. 0·50 lakhs
(3) to provide the necessary number of officers and staff in the Secretariat of the Board, and the Ministry including the Directorates of Tax Research and Drawback for dealing with the increased work involving an additional expenditure of .	Rs. 2·00 lakhs
Total recurring expenditure per year .	Rs. 9·50 lakhs

Besides the above items of annual recurring expenditure, the following non-recurring expenditure will also have to be incurred :—

(a) Incidental expenses, contingencies, etc. .	Rs. 0·25 lakhs
(b) Furniture, office equipment, etc. .	Rs. 0·25 lakhs
Total non-recurring expenditure .	Rs. 0·50 lakhs

The Bill does not involve any other expenditure of a recurring or non-recurring nature.

S. L. SHAKDHER,
Secretary.

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